

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
**LUTCHER, LOUISIANA**

**FINANCIAL STATEMENTS**

**MARCH 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 05 2011**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
St. James Parish Hospital Service District  
of St. James Parish, Louisiana  
Lutcher, Louisiana

We have audited the accompanying financial statements of the St. James Parish Hospital Service District of St. James Parish, Louisiana, a component unit of the St. James Parish Council, as of and for the years ended March 31, 2011 and 2010, which collectively comprise the St. James Parish Hospital Service District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. James Parish Hospital Service District as of March 31, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2011, on our consideration of the St. James Parish Hospital Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. James Parish Hospital Service District's financial statements as a whole. The supplemental schedule on page 23 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Postlethwaite & McTurk*

Gonzales, Louisiana  
August 23, 2011



**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MARCH 31, 2011**

Management's Discussion and Analysis of St. James Parish Hospital (Hospital's) financial performance provides important background information and management's analysis of the Hospital's financial performance during the fiscal years that ended March 31, 2011. Please read it in conjunction with the Hospital's financial statements in this report.

**REQUIRED FINANCIAL STATEMENTS**

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements offer short-term and long-term financial information about the Hospital's activities.

The statements of net assets include all of the hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures changes in the Hospital's operations over the past year and can be used to determine whether the Hospital has been able to recover all of its costs through its net patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operating, investing, and financing activities and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**FINANCIAL ANALYSIS OF THE HOSPITAL**

The balance sheet and the statements of revenue, expenses and change in net assets report information about the Hospital's activities. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

**FINANCIAL HIGHLIGHTS**

- The Hospital had \$4,878,930 in cash and cash equivalents at March 31, 2011, a \$2,022,843 decrease from prior year. The Hospital had a net decrease in capital assets during the fiscal year ended March 31, 2011 of \$487,036 or 2%. The Hospital's long term debt including current portion decreased \$437,521 or 2%.
- The Hospital's total operating revenues increased by \$2,915,435 or 19% over the prior year. Total operating expenses increased by \$2,259,043 or 15%. The Hospital generated net operating income during fiscal year 2011 of \$707,793.
- Property tax revenue is reported as non-operating revenue due to GASB requirements although it is used for operating purposes. This millage is very important to the financial position of the hospital. The Hospital recognized \$1,777,378 in revenue during fiscal year 2011 that was related to the current 4.75 millage.
- The Hospital generated net income for the year of \$2,162,696. This was a \$370,454 or 21% increase over the prior year.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MARCH 31, 2011**

**STATEMENTS OF NET ASSETS**

The Hospital's condensed statements of net assets are presented below. Some significant components of the change in the Hospital's net assets are the increase in restricted assets, decrease in capital assets, and the decrease in long term debt.

Restricted assets increased by \$3,609,353 or 52%. The Board approved investing excess cash in accounts that would be internally restricted to be used for funded depreciation.

The Hospital had a net decrease in capital assets during the fiscal year 2011 of \$487,036 or 2%. This was related to the sale of the old hospital.

Long-term debt including current portion decreased by \$437,521 or 2%. This was related to principal payment on existing debt.

**Assets, Liabilities, and Net Assets**

	<b><u>2011</u></b>	<b><u>2010</u></b>
Current and other assets	\$ 8,438,454	\$ 9,989,547
Restricted assets	10,494,240	6,884,887
Capital assets, net	20,175,989	20,663,025
<b>Total assets</b>	<b><u>\$ 39,108,683</u></b>	<b><u>\$ 37,537,459</u></b>
Current and other liabilities	\$ 2,733,387	\$ 2,865,544
Long-term debt	17,685,567	18,144,882
<b>Total liabilities</b>	<b><u>\$ 20,418,954</u></b>	<b><u>\$ 21,010,426</u></b>
Net assets		
Investment in capital assets, net of related debt	\$ 2,031,109	\$ 2,080,624
Restricted	10,524,584	6,898,661
Unrestricted	6,134,036	7,547,748
<b>Total net assets</b>	<b><u>\$ 18,689,729</u></b>	<b><u>\$ 16,527,033</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 39,108,683</u></b>	<b><u>\$ 37,537,459</u></b>

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MARCH 31, 2011**

**STATEMENTS OF REVENUE AND EXPENSES**

A summary of the Hospital's revenues and expenses for fiscal years 2011 and 2010 is presented below.

The Hospital reported an increase in net patient service revenue increased by \$2,445,496 or 16% over the past year. The increase was driven by volume increases and the introduction of new services. Provisions for bad debts increased by \$85,779 or 3% from the prior year. Bad debt as a percent of gross revenue for fiscal year 2011 was 10% which is consistent with fiscal year 2010.

Other operating revenues increased by \$469,939 from the past year. This increase was due to the gain on the disposition of assets during the year.

The Hospital reported an increase in operating expenses of \$2,259,043 or 15% from the past year. Increases in salary and benefit cost for hospital's employees was \$1,103,820 or 15%.

Change in net assets increased by \$370,454 or 21% over the past year.

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues:</b>		
Net patient service revenues	\$ 17,434,094	\$ 14,988,598
Other operating revenues	577,346	107,407
<b>Total operating revenues</b>	<u>18,011,440</u>	<u>15,096,005</u>
<b>Operating Expenses:</b>		
Salaries and benefits	8,308,704	7,204,884
Medical supplies and drugs	1,128,285	1,060,799
Depreciation and amortization	1,745,103	1,701,270
Other operating expenses	6,121,555	5,077,651
<b>Total operating expenses</b>	<u>17,303,647</u>	<u>15,044,604</u>
<b>Operating income</b>	<u>707,793</u>	<u>51,401</u>
<b>Nonoperating Revenues and Expenses:</b>		
Property taxes	1,777,378	1,834,896
Investment income	66,569	100,834
Other non operating revenue and expenses, net	(389,044)	(194,889)
<b>Total nonoperating revenues (expenses)</b>	<u>1,454,903</u>	<u>1,740,841</u>
<b>Change in net assets</b>	<u>2,162,696</u>	<u>1,792,242</u>
<b>Net assets beginning of year</b>	<u>\$ 16,527,033</u>	<u>\$ 14,734,791</u>
<b>Net assets end of year</b>	<u>\$ 18,689,729</u>	<u>\$ 16,527,033</u>

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MARCH 31, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2011, the Hospital had invested \$20,175,989 in capital assets, net of accumulated depreciation. The Hospital acquired capital assets costing \$1,235,564, of which \$916,182 was acquired in the current fiscal year. The other \$319,382 was attributed to construction in progress that was for building improvements and various pieces of equipment.

**Debt**

At year end the Hospital had \$134,825 in capital lease obligations outstanding that were acquired on March 11, 2008 to purchase a cat scanner.

At the end of the year, the Hospital had \$17,517,304 in outstanding bonded debt. The bonds were issued totaling \$18,000,000 on July 2, 2008 for the purpose of payment of a replacement hospital building. Debt in the amount of \$800,000 was borrowed on June 17, 2009 as a note payable to the Parish Government for the purpose improving the hospital. At year end, the Hospital had \$492,751 on the outstanding debt.

**ECONOMIC FACTORS**

The St. James Parish Hospital's appointed officials considered the following factors and indicators when setting the budget for the fiscal year ending March 31, 2012:

- Fiscal Year 2012 revenues were projected to increase 6 % over 2011
- Rate increase of 5% using a pricing sensitivity analysis
- Salaries are estimated to reflect new positions in shortage areas, market rate adjustments and patient service volumes.
- Operating expenses are estimated based on historical relationships to patient service volumes, where possible, and historic usage rates.

**CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Tracy George  
Chief Financial Officer  
St. James Parish Hospital  
1645 Lutchter Avenue  
Lutchter, LA 70071  
tgeorge@sjph.org



**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**  
**STATEMENTS OF NET ASSETS**  
**MARCH 31, 2011 AND 2010**

	<b><u>ASSETS</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 4,878,930	\$ 6,901,773
Patient accounts receivable, (net of estimated uncollectibles of \$2,952,986 in 2011 and \$2,288,773 in 2010)	1,890,799	1,705,941
Inventory	316,578	238,794
Taxes receivable	470,299	482,369
Other current assets	881,848	660,670
Total current assets	<u>8,438,454</u>	<u>9,989,547</u>
<b><u>RESTRICTED ASSETS</u></b>		
Held by trustee for debt service	1,035,184	914,323
Restricted for capital acquisitions	9,459,056	5,970,564
Total restricted assets	<u>10,494,240</u>	<u>6,884,887</u>
<b><u>PROPERTY AND EQUIPMENT - net</u></b>	<u>20,175,989</u>	<u>20,663,025</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 39,108,683</u></b>	<b><u>\$ 37,537,459</u></b>
	<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 258,362	\$ 420,697
Estimated third-party payor settlements	753,897	766,777
Current maturities of long-term debt	459,313	437,519
Accrued expenses	1,261,815	1,240,551
Total current liabilities	<u>2,733,387</u>	<u>2,865,544</u>
<b><u>LONG TERM DEBT</u></b>	<u>17,685,567</u>	<u>18,144,882</u>
Total liabilities	20,418,954	21,010,426
<b><u>NET ASSETS</u></b>		
Invested in capital assets	2,031,109	2,080,624
Restricted for:		
Debt service	1,035,184	914,323
Capital acquisitions	9,489,400	5,984,338
Unrestricted	6,134,036	7,547,748
Total net assets	<u>18,689,729</u>	<u>16,527,033</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 39,108,683</u></b>	<b><u>\$ 37,537,459</u></b>

The accompanying notes are an integral part of these statements.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>OPERATING REVENUES</u></b>		
Net patient service revenues (net of provision for bad debts of \$3,288,309 in 2011 and \$3,202,530 in 2010)	\$ 17,434,094	\$ 14,988,598
Gain on disposition of assets	471,708	-
Other operating revenues	105,638	107,407
Total operating revenues	<u>18,011,440</u>	<u>15,096,005</u>
<b><u>OPERATING EXPENSES</u></b>		
Salaries and benefits	8,308,704	7,204,884
Professional contracted services	3,915,488	3,266,027
Medical supplies and drugs	1,128,285	1,060,799
Rents, lease, and maintenance contracts	887,737	647,549
Telephone and utilities	479,395	430,855
Insurance	253,755	218,632
Other operating	585,180	514,588
Provision for depreciation	1,745,103	1,701,270
Total operating expenses	<u>17,303,647</u>	<u>15,044,604</u>
<b><u>INCOME FROM OPERATIONS</u></b>	<u>707,793</u>	<u>51,401</u>
<b><u>NON OPERATING REVENUES (EXPENSES)</u></b>		
Property taxes	1,777,378	1,834,896
Investment income	66,569	100,834
Grants and donations	592,603	813,888
Interest expense	(981,647)	(1,008,777)
Total non operating revenues (expenses)	<u>1,454,903</u>	<u>1,740,841</u>
<b><u>CHANGE IN NET ASSETS</u></b>	2,162,696	1,792,242
<b><u>NET ASSETS BEGINNING OF YEAR</u></b>	<u>16,527,033</u>	<u>14,734,791</u>
<b><u>NET ASSETS END OF YEAR</u></b>	<u><u>\$ 18,689,729</u></u>	<u><u>\$ 16,527,033</u></u>

The accompanying notes are an integral part of these statements.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from and on behalf of patients	\$ 17,269,095	\$ 15,083,785
Payments to suppliers and contractors	(9,302,376)	(7,125,238)
Payments to employees	(6,588,572)	(5,829,702)
Net cash provided by operating activities	<u>1,378,147</u>	<u>2,128,845</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Property taxes	1,789,448	1,773,019
Noncapital grants and contributions	592,593	813,888
Net cash provided by noncapital financing activities	<u>2,382,041</u>	<u>2,586,907</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Long term borrowings	-	800,000
Principal paid on debt	(437,521)	(419,341)
Interest paid on long term debt	(990,050)	(1,010,026)
Proceeds from sale of assets	239,950	-
Purchase of capital assets	(1,026,309)	(585,005)
Net cash used in capital and related financing activities	<u>(2,213,930)</u>	<u>(1,214,372)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(12,347,433)	(3,216,058)
Proceeds from sale or maturity of investments	8,738,090	1,446,771
Interest on investments	40,242	114,200
Net cash used in investing activities	<u>(3,569,101)</u>	<u>(1,655,087)</u>
Net increase (decrease) in cash	(2,022,843)	1,846,293
Cash at beginning of year	<u>6,901,773</u>	<u>5,055,480</u>
Cash at end of year	<u><u>\$ 4,878,930</u></u>	<u><u>\$ 6,901,773</u></u>

The accompanying notes are an integral part of these statements.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Income from operations	\$ 707,793	\$ 51,401
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	1,745,103	1,701,270
Gain on disposition of assets	(471,708)	-
Provision for bad debts	3,288,309	3,202,530
Changes in assets and liabilities:		
Patient accounts receivable	(3,473,167)	(2,903,133)
Inventory	(77,784)	4,387
Other current assets	(194,851)	69,483
Estimated third-party payor settlements	(12,880)	853,178
Accounts payable	(162,335)	(919,211)
Accrued expenses	29,667	68,940
Total adjustments	<u>670,354</u>	<u>2,077,444</u>
Net cash provided by operating activities	<u>\$ 1,378,147</u>	<u>\$ 2,128,845</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

The Hospital held investments at March 31, 2011 with a fair value of \$9,445,252.

During 2011, the net decrease in the fair value of these investments was \$30,344.

The accompanying notes are an integral part of these statements.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
**Lutcher, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**Reporting Entity**

The St. James Parish Hospital Service District of St. James Parish, Louisiana, d/b/a St. James Parish Hospital (the Hospital), is an acute care hospital. Effective August 1, 2001, the Hospital met the Medicare participation requirements to be classified as a critical access hospital. The Hospital was approved by the St. James Parish Police Jury and is a political subdivision of the St. James Parish Council/Police Jury. The St. James Parish Council approves all tax elections. The Hospital Service District is a component unit of the St. James Parish Council.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from those estimates.

**Enterprise fund accounting**

The Hospital uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

**Net patient service revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Cash**

Cash consist of cash on hand and in bank accounts, and also certificates of deposit, with maturity dates at acquisition that are less than 90 days, plus accrued interest.

**Inventory**

Inventories are stated at the lower of cost or market using an average cost method.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies** (continued)

**Patient Accounts Receivable**

Patient accounts receivable are reported at their outstanding unpaid balance adjusted for any write-offs and the allowance for doubtful accounts. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are written off when no payment has been received on the account for 120 days.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of an account is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the accounts in light of historical experience, the nature and volume of the accounts, and the agreements with the respective third-party payors.

**Capital assets**

Capital assets additions are recorded at cost. Depreciation is computed using the straight-line method at with useful lives of the property ranging from 3 to 40 years. Maintenance, repairs, replacement, and improvements of minor importance are expensed. Major replacements and improvements are capitalized. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**Property taxes**

The Hospital receives a 4.75 mills property tax which is levied January 1 each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The tax is in effect through December 31, 2016.

**Grants**

Revenues from grants are recognized when all eligibility requirements are met.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
**Lutcher, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies** (continued)

**Operating revenues and expenses**

Operating revenues result from exchange transactions associated with providing health care services. Non exchange revenues include property taxes, grants, and investment revenues are reported as non operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Compensated absences**

The Hospital's employees earn paid time off and extended illness bank at varying rates depending on years of service. Employees may accumulate paid time off, and be paid if they leave before they exhaust this accumulation. Employees may accumulate extended illness bank but are not paid for accumulated extended illness bank.

**Net assets**

Net assets of the Hospital are classified in components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase of construction of those assets. Restricted net assets for debt service must be used for debt service. Restricted for capital acquisitions and pending litigation are capital related net assets that must be used for a specific purpose, as specified by the Hospital. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

**Risk management**

The Hospital is exposed to various risks of loss from torts theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Investments in debt and equity securities**

Investments in debt and equity securities are reported at fair value except for short term highly liquid investments that have a remaining maturity at the time they are purchased for one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies** (continued)

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**2. Net Patient Service Revenue**

The Hospital has agreed with third-party payors that provide for payments to the Hospital at amounts different from established rates. A summary of the payment arrangements with major third party payors follows:

Medicare – Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare programs beneficiaries are reimbursed under a cost reimbursement methodology. Prior to August 1, 2001, inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under cost based methodologies and fee schedules. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through March 31, 2011. Desk reviews have been performed on reports issued through March 31, 2010.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through March 31, 2011. A desk review has been performed on all the reports issued through March 31, 2010.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates, and Medicare fee schedules.



**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
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**Lutcher, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**3. Accounts Receivable**

Accounts receivable, patients consist of the following:

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Receivable from patients and their insurance carriers	\$ 3,068,182	\$ 2,372,662
Receivable from Medicare	1,480,399	1,138,599
Receivable from Medicaid	295,204	483,453
Total patient accounts receivable	4,843,785	3,994,714
Less allowance for doubtful accounts	2,952,986	2,288,773
<u>Patient accounts receivable, net</u>	<u>\$ 1,890,799</u>	<u>\$ 1,705,941</u>

The Hospital provides for bad debts using formulas supporting collectability of related patient groupings.

When accounts are charged off they are removed from the related asset account and the allowance for bad debt account. The Hospital is located in Lutcher, Louisiana and grants credit without personal collateral to its patients and their insurance companies, most of whom are residents in the area. The mix of patient service revenues are as follows:

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Medicare	33%	32%
Medicaid	16	19
Commercial insurance	39	37
Self pay	12	12
	<u>100%</u>	<u>100%</u>

**4. Deposits and Investments**

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law or be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk at March 31, 2011. None of the Hospital's bank balances were exposed to custodial credit risk.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. At March 31, 2011 and 2010, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital:

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**

**4. Deposits and Investments** (continued)

<b>Investment Maturities (in Years)</b>					
<b><u>March 31, 2011</u></b>					
<b><u>Investment Type</u></b>	<b><u>Carrying Amount</u></b>	<b><u>Less than 1</u></b>	<b><u>1 - 5</u></b>	<b><u>6 - 10</u></b>	<b><u>More than 10</u></b>
U.S. Agencies	\$ 2,351,691	\$ 13,804	\$ 1,667,853	\$ 338,916	\$ 331,118
Certificate of deposits	7,107,365	7,107,365	-	-	-
	<u>\$ 9,459,056</u>	<u>\$ 7,121,169</u>	<u>\$ 1,667,853</u>	<u>\$ 338,916</u>	<u>\$ 331,118</u>
<b><u>March 31, 2010</u></b>					
<b><u>Investment Type</u></b>	<b><u>Carrying Amount</u></b>	<b><u>Less than 1</u></b>	<b><u>1 - 5</u></b>	<b><u>6 - 10</u></b>	<b><u>More than 10</u></b>
U.S. Agencies	\$ 1,873,473	\$ -	\$ 1,017,030	\$ 657,543	\$ 198,900
Certificate of deposits	4,097,091	4,097,091	-	-	-
	<u>\$5,970,564</u>	<u>\$ 4,097,091</u>	<u>\$ 1,017,030</u>	<u>\$ 657,543</u>	<u>\$ 198,900</u>

**Interest Rate Risk-** The Hospital's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

**Credit Risk-** Under Louisiana R.S. 33:2955, as amended, the Hospital may invest in obligations of the U.S. Treasury, U.S. Agencies and instrumentalities, repurchase agreements, certificates of deposits, and other investments as provided in the statute. The Hospital's investment policy does not further limit its investment choices. As of March 31, 2011, the Hospital's investment in U.S. Agencies were rated AAA by Moody's Investors Service and AAA by Standard & Poor's.

**Concentration of Credit Risk-** The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. More than 5 percent of the Hospital's investments are in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and Federal National Mortgage Association. These investments are 40%, 30%, and 30%, respectively at March 31, 2011.

**5. Restricted Assets**

The amounts reported as restricted assets are comprised of cash held by the trustee bank for debt service on behalf of the Hospital related to their required long term debt described in Note 8. In addition, internally designated funds for capital acquisitions are set aside under the control of the board of commissioners and may, at its discretion, later use these funds for other purposes.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

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**NOTES TO FINANCIAL STATEMENTS**

**5. Restricted Assets (continued)**

The restricted assets, which consist of cash and certificates of deposits, as of March 31, are as follows:

	2011	2010
Held by trustee for debt service		
Sinking fund	\$ 297,463	\$ 292,570
Reserve fund-rural development	63,831	40,621
Reserve fund-taxable	475,540	440,747
Contingency fund	159,674	101,709
Rural development transfer account	38,676	38,676
Internally designated for capital acquisitions	9,459,056	5,970,564
Total restricted assets	<u>\$ 10,494,240</u>	<u>\$ 6,884,887</u>

**6. Capital Assets**

Capital assets and depreciation activity for the year ended March 31, 2011 are as follows:

	Land	Construction in progress	Building and improvements	Equipment	Equipment under capital lease obligation	Total
Cost of Capital						
Assets, 3/31/10	\$ 591,045	\$ 22,450	\$ 20,768,718	\$ 6,207,823	\$ 325,000	\$ 27,915,036
Additions	635,991	319,382	52,050	228,141	-	1,235,564
Deletions and transfer	-	(209,255)	(1,815,349)	(13,182)	-	(2,037,786)
Cost of Capital						
Assets, 3/31/11	<u>1,227,036</u>	<u>132,577</u>	<u>19,005,419</u>	<u>6,422,782</u>	<u>325,000</u>	<u>27,112,814</u>
Accumulated						
Depreciation, 3/31/10	-	-	3,736,550	3,426,027	89,434	7,252,011
Additions	-	-	966,396	713,707	65,000	1,745,103
Deletions	-	-	(2,047,107)	(13,182)	-	(2,060,289)
Accumulated						
Depreciation, 3/31/11	<u>-</u>	<u>-</u>	<u>2,655,839</u>	<u>4,126,552</u>	<u>154,434</u>	<u>6,936,825</u>
Capital Assets, net at 3/31/11	<u>\$ 1,227,036</u>	<u>\$ 132,577</u>	<u>\$ 16,349,580</u>	<u>\$ 2,296,230</u>	<u>\$ 170,566</u>	<u>\$ 20,175,989</u>

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
**Lutcher, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**6. Capital Assets (continued)**

Capital assets and depreciation activity for the year ended March 31, 2010 are as follows:

	Land	Construction in progress	Building and improvements	Equipment	Equipment under capital lease obligation	Total
Cost of Capital Assets, 3/31/09	\$ 591,045	\$ 887,726	\$ 20,397,229	\$ 5,207,483	\$ 325,000	\$ 27,408,483
Additions	-	436,156	371,489	1,078,792	-	1,886,437
Deletions and transfer	-	(1,301,432)	-	(78,452)	-	(1,379,884)
Cost of Capital Assets, 3/31/10	591,045	22,450	20,768,718	6,207,823	325,000	27,915,036
Accumulated Depreciation, 3/31/09	-	-	2,771,930	2,832,829	24,434	5,629,193
Additions	-	-	964,620	671,650	65,000	1,701,270
Deletions	-	-	-	(78,452)	-	(78,452)
Accumulated Depreciation, 3/31/10	-	-	3,736,550	3,426,027	89,434	7,252,011
Capital Assets, net at 3/31/10	\$ 591,045	\$ 22,450	\$ 17,032,168	\$ 2,781,796	\$ 235,566	\$ 20,663,025

For the years ended March 31, 2011 and 2010, depreciation expense was \$1,745,103 and \$1,701,270, respectively.

**7. Compensated absences**

Compensated absences consist of the following:

	March 31, 2011	March 31, 2010
Balance at beginning of year	\$ 312,548	\$ 288,522
Increases	38,055	35,263
Decreases	(25,409)	(11,237)
Balance at end of year	\$ 325,194	\$ 312,548

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

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**NOTES TO FINANCIAL STATEMENTS**

**8. Long-Term Debt**

A schedule of changes in the Hospital's long-term debt for 2011 follows:

	<b>Balance</b> <b>March 31, 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>March 31, 2011</b>
<b>Bonds and Notes Payable:</b>				
<i>Revenue bonds</i>				
Series 2008 R-1	\$ 7,470,812	\$ -	\$ (81,877)	\$ 7,388,935
Series 2008 R-2	1,378,235	-	(13,866)	1,364,369
Series 2008A	6,765,000	-	(80,000)	6,685,000
Series 2008B	756,000	-	(4,000)	752,000
Series 2008C	1,227,000	-	(35,000)	1,192,000
Series 2008D	138,000	-	(3,000)	135,000
<i>Tax Certificate</i>	647,751	-	(155,000)	492,751
<i>Capital Lease Obligation</i>	199,603	-	(64,778)	134,825
	18,582,401	-	(437,521)	18,144,880
Less current maturities	(437,519)			(459,313)
<b>Total Long-term debt</b>	<b>\$ 18,144,882</b>			<b>\$ 17,685,567</b>

On July 2, 2008, \$18,000,000 of Hospital Revenue Bonds was issued upon completion of a replacement (Critical Access) hospital, to provide permanent financing for the project. The following summarizes the issue:

Series 2008 R-1, bearing interest at 4.125%, payable monthly through 06/01/48	\$7,600,000
Series 2008 R-2, bearing interest at 4.5%, payable monthly through 06/01/48	1,400,000
Series 2008A, bearing interest at 6.1%, payable monthly through 06/01/38	6,840,000
Series 2008B, bearing interest at 9.76%, payable monthly through 06/01/38	760,000
Series 2008C, bearing interest at 5.9%, payable monthly through 06/01/28	1,260,000
Series 2008D, bearing interest at 9.44%, payable monthly through 06/01/28	140,000
	<b><u>\$18,000,000</u></b>

The bonds are collateralized by a pledge of the Hospital Service District's revenue, land, building and improvements and personal property thereon. Under the terms of the revenue note indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included in restricted cash and investments in the statements of net assets. The revenue note indenture also requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. These funds are maintained at the Trustee and require monthly funding by the Hospital Service District.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
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**NOTES TO FINANCIAL STATEMENTS**

**8. Long-Term Debt (continued)**

The terms and due dates of the Hospital's capital lease obligation consist of the following:

Installment obligation incurred to purchase CT equipment payable in monthly payments of \$6,191, including interest at 5.59%, through March 2013

The following table reflects the maturity schedule of this obligation and the anticipation interest payments of the \$18,000,000 Hospital Revenue Bonds:

	<b>Revenue Bonds</b>		<b>Tax Certificate</b>		<b>Capital Lease Obligation</b>	
	Principal	Interest	Principle	Interest	Principal	Interest
FYE March 31, 2012	\$ 230,819	\$ 924,444	\$ 160,000	\$ 14,135	\$ 68,494	\$ 5,800
FYE March 31, 2013	242,072	911,780	165,000	10,935	66,331	1,871
FYE March 31, 2014	258,507	898,324	167,751	5,985	-	-
FYE March 31, 2015	273,130	883,963	-	-	-	-
FYE March 31, 2016	286,951	868,809	-	-	-	-
FYE March 31, 2017-2021	1,717,573	4,081,455	-	-	-	-
FYE March 31, 2022-2026	2,293,960	3,530,722	-	-	-	-
FYE March 31, 2027-2031	2,817,453	2,795,876	-	-	-	-
FYE March 31, 2032-2036	3,314,452	1,960,979	-	-	-	-
FYE March 31, 2037-2041	3,179,317	944,043	-	-	-	-
FYE March 31, 2042-2046	1,901,819	418,741	-	-	-	-
FYE March 31, 2047-2051	1,001,251	49,942	-	-	-	-
	<u>\$17,517,304</u>	<u>\$18,269,078</u>	<u>\$ 492,751</u>	<u>\$ 31,055</u>	<u>\$ 134,825</u>	<u>\$ 7,671</u>

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
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**NOTES TO FINANCIAL STATEMENTS**

**9. Pension Plan**

**Plan Description**

The Hospital is a member of the Parochial Employees' Retirement System of Louisiana -- Plan B. All full-time, permanent employees working at least 28 hours per week who are paid wholly or in part from the Hospitals funds are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or calling (225) 928-1361.

**Funding policy**

The Plan B fund is financed by employee contributions of 3% and 3% for 2011 and 2010, respectively, and employer contributions as determined by the Public Retirement Systems' Actuarial Committee. The Actuarial committee has determined that the employer contribution rate for 2011 and 2010 to be 10.00%, respectively. The actuarial cost method used for Plan B is the aggregate actuarial cost method with allocation based on earnings. The normal cost is interest adjusted for midyear payment. The ratio of assets to the pension benefit obligation in Plan B was 96% and 96% at December 31, 2011 and 2010 respectively.

Total pension expense was \$593,918, \$379,035 and \$301,913 for the years ended March 31, 2011, 2010, and 2009, respectively. All amounts expensed have been funded to the plan.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**10. Risk Management**

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of (1) Hospital professional liability and comprehensive general liability, and (2) Statutory workers' compensation. The Hospital carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers compensation are pooling arrangements whereby there is a sharing of risk among the participants of the trust funds. The Hospital reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

**11. Commitments and contingencies**

Various lawsuits are pending against the Hospital. Th Hospital's management believes the potential loss on lawsuits will not be material to the Hospital's basic financial statements.

**12. St. James Home Care**

The Hospital entered into a cooperative endeavor agreement with Louisiana Health Care Group to provide home health services as St. James Home Care through December 31, 2005. All amounts recorded, received and owed have been reflected in other operating revenues over the life of the agreement. The Hospital received monies in excess of the agreement and has reflected these overpayments as accounts payable. At March 31, 2011, the agreement amount was \$293,391.

**13. Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 23, 2011, and determined that the following event occurred that require disclosure. In June 2011, the Hospital entered into a debt agreement with the Parish Council for \$2.5 million in Tax Certificates.



**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
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**SUPPLEMENTAL SCHEDULES**

**MARCH 31, 2011 AND 2010**

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**

**Lutcher, Louisiana**

**SCHEDULES OF NET PATIENT REVENUES**

**Schedule I**

**YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>PATIENT SERVICE REVENUES</b>		
Room and nursing	\$ 1,700,645	\$ 1,060,504
Sleep study	422,217	642,182
Anesthesiology	223,359	234,780
Operating room	2,008,027	2,044,665
Emergency room	5,549,406	4,842,160
Respiratory therapy	1,151,441	793,195
Speech therapy	96,745	138,369
Occupational Therapy	385,154	225,964
Physical therapy	1,161,637	1,142,923
Central services and supply	1,315,993	1,186,632
Laboratory	5,165,648	4,699,609
Pharmacy	3,389,551	2,504,805
Radiology	1,836,279	1,605,389
Cardiology	371,612	139,022
Nuclear medicine	1,307,760	940,845
CT Scan	3,974,589	3,867,339
Wound Care	798,993	406,072
Ultrasound	664,614	555,863
Mammography	142,457	110,843
Lutcher Family Clinic	442,309	-
MRI	434,141	151,234
Other services	228,607	317,823
Total patient service revenues	<u>32,771,184</u>	<u>27,610,218</u>
 Contractual adjustments and allowances	 (12,048,781)	 (9,419,090)
Provisions for bad debts	<u>(3,288,309)</u>	<u>(3,202,530)</u>
	<u>(15,337,090)</u>	<u>(12,621,620)</u>
 Net patient service revenues	 <u>\$ 17,434,094</u>	 <u>\$ 14,988,598</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
St. James Parish Hospital Service District  
of St. James Parish, Louisiana  
Lutcher, Louisiana

We have audited the financial statements of the St. James Parish Hospital Service District of St. James Parish, Louisiana, component unit of the St. James Parish Council, as of and for the year ended March 31, 2011, which collectively comprise the St. James Parish Hospital Service District's basic financial statements and have issued our report thereon dated August 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered St. James Parish Hospital Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. James Parish Hospital Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. James Parish Hospital Service District's internal control over financial reporting.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. James Parish Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the board of commissioners, management, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postthum + Mett*

Gonzales, Louisiana  
August 23, 2011

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
**Lutcher, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2011**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of St. James Parish Hospital Service District of St. James Parish, Louisiana as of and for the year ended March 31, 2011.
2. No significant deficiencies were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of St. James Parish Hospital Service District were reported in Part C of this Schedule.

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

**None**

**C. COMPLIANCE WITH STATE LAWS AND REGULATIONS**

**None**

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL**  
**Lutcher, Louisiana**

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED MARCH 31, 2011**

**A. INTERNAL CONTROL**

None

**B. COMPLIANCE WITH STATE LAWS AND REGULATIONS**

None